



Written Testimony of

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Subcommittee on Contracting and Infrastructure

*“Growing the Small Business Supplier Base
in Government Contracting”*

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Good morning, Chairman Mfume, Ranking Member Salazar, and Members of the House Small Business Committee, Subcommittee on Contracting and Infrastructure. Thank you for the opportunity to speak with you today about the topic of Category Management.

My name is Alba Alemán. I am the founder and CEO of Citizant, Inc., a small business government services firm based in Chantilly, Virginia. We employ nearly 200 professionals who support Federal agencies in 27 states. I am an active member of the U.S. Women's Chamber of Commerce and serve on their Category Management Task Force.

Citizant has been in business since 1999 and has weathered many storms – Y2K, 9-11, numerous government shutdowns, continuing resolutions, administration and policy changes, and the Budget Control Act of 2011. Through all of these emergencies and disruptions, we have continued to support important missions at the IRS, DoD, DHS, DOJ, and DOT, among others.

In the last 22 years, we have built innovative computing systems, led critical modernization initiatives, implemented governance programs, supported research and development, and developed robust data strategies for our government. These solutions have enabled Federal agencies to provide essential services for our fellow citizens. We have helped many agencies improve their efficiency and effectiveness, thereby allowing them to save or repurpose untold millions of taxpayer dollars.

The purpose of my testimony today is to share my first-hand insights about the detrimental impact that Category Management – at least as it is currently being implemented today by Federal agencies – is having on small businesses like mine. Category Management has disproportionately stripped small, minority, and woman-owned businesses from access to Federal contracts. And I fear that it is doing lasting damage to the growth and innovation engine of our economy that is driven by small businesses, which may take decades to recover.

Experts agree that Category Management has weakened the diversity and vitality of your supplier base. It has widened the gap between small and large contractors to the detriment of our economy. Category Management has negatively impacted the family-friendly, women-friendly policies of small businesses like mine and has reduced the availability of innovative, cost-effective solutions for our government.

Category Management was first introduced during the Obama administration. The original goal was to rein in spending across government agencies and find purchasing efficiencies where possible, while creating opportunity for America's small businesses. However, Executive Orders issued since 2017 have steered Category Management away from its original intent and have crowded out small businesses.

These recent orders introduced a concept called "Tiered Spending", under which Federal procurement departments were forced to use a handful of government-wide contracts called Best-in-Class, or "BIC" contract vehicles. These BICs – like ALLIANT 2, VETS 2, and OASIS – account for hundreds of billions of dollars of spending among very small groups of pre-qualified contractors. And only VETS 2 and OASIS provide a swim lane for small, minority-owned, and/or woman-owned businesses to participate.

You probably know that most of these BICS have both large-business and small-business pools of contractors. But when you dig deeper, you can begin to see where the problems arise. Whereas large contractors have the experience and credentials to qualify for nearly every single BIC, small businesses are hard-pressed to qualify for even one BIC contract. Competing for these BIC contracts requires a small business to have already spent hundreds of thousands of dollars on certifications, have tens of millions of dollars in prior contracts, and meet dozens of other requirements that only the largest of businesses would have, such as an approved purchasing system or earned value management system.

Out of tens of thousands of small businesses who might pursue a BIC contract, only a few dozen will receive an award. The hundreds of small businesses who don't earn a seat at the table on a BIC contract are effectively barred from competing for the 10-year life of that contract which, by definition, is used and required to be used by all Federal agencies.

Here's a sobering statistic: Only 0.001% of small businesses – that is, one in one hundred thousand – have access to 100% of the BIC spending. And these quote-unquote “small businesses” are not small by most industry standards. They sometimes have \$100 million in revenue, have been around for decades, and have thousands of employees.

Compounding the issues, most small businesses cannot qualify for a BIC on their own. They are forced to partner with very large businesses in predatory joint ventures to meet the minimum qualifications and thresholds. So even in the small-business pool on many BICs, half of the work winds up going to large businesses anyway.

It's not just small business owners like me who are ringing the alarm bells about this massive disparity and inequity. Corrections to these rules have support from government leaders including the GAO, the Small Business Administration, the council of nearly 100 small business offices within the Executive Branch, the Pentagon, and many members of your own committee and peers on the Senate Small Business Committee.

Congress must continue to push for change to the current practices around Tiered Spending on BIC contracts, before irreparable harm is done to our small business industrial base. Lest you think I'm an alarmist, let me call your attention to several key data points published in May 2021 by the U.S. Women's Chamber of Commerce, in a report entitled “Stop the Loss of Small Business Federal Suppliers.”

- The number of small business new entrants into government contracting has dropped nearly 60% in the last 7 years, representing more than 13,000 businesses each YEAR who are barred from entry.
- While overall small businesses showed a loss of 24% since 2017 (a total of 24,000 suppliers lost), the number of women-owned suppliers dropped more than 22% and veteran-owned suppliers dropped over 17%.

- Each year, small businesses receive 20-25% of all government contracts. However, of the tens of thousands of contracts eliminated by Category Management, 53% of them were small business contracts.
- In FY20, the government missed its small business procurement goal for professional services by 1.9%. This equates to billions in spending that was earmarked for small businesses – but was instead spent on contracts to large businesses.

The facts about the impact of BICs and Tiered Spending on small businesses are clear and overwhelming. At the end of the day, the steering of government spending to large businesses results in the loss of millions of small business jobs. Large businesses are offshoring many of the jobs they win on government contracts. With a concentration of contracting in the hands of fewer large businesses, the government loses the benefit of competition to lower prices. When large businesses subcontract to small companies, they markup services by 25 to 40 percent without adding any value. Innovation is stifled – and let's face it, most of the innovations in today's economy come from small businesses. And the hollowing out of small businesses in our Defense industrial base creates national security risks in countless industry sectors.

So, the problem is real. If you'll indulge me, I would like to share some stories about the impact these issues have had on me personally. As I enter my 23rd year in business, I have the perspective of two decades of experience with Federal procurement, and I can honestly tell you that it has never been harder to win and maintain a seat at the table.

The past 2 years have been especially grueling and have led to the erosion of nearly 30% of my business. My small business colleagues have been exiting this market at an accelerated pace, and with every departure, the loss of vital institutional knowledge and technologies that serve our government, create efficiencies, and create jobs for all those that choose to call America home.

In 2019, we rallied our workforce and our entrepreneurial network to survive a historic 35-day government shutdown – one which left us on the brink of bankruptcy. I testified before the House Oversight Committee in May 2019 about the importance of legislation to protect the small business supplier base during protracted government shutdowns in the future.

And then COVID hit, and five of our contracts were either cancelled or consumed by BIC holders. Half a dozen more are already in danger of cancellation or erosion by large businesses who have access to BICs that we don't even have the opportunity to bid on.

Contrary to what other small and large business leaders consider prudent, our team rallied and kept true to our core values throughout COVID. We have consumed every ounce of profit and brought cash to dangerously low levels in order to protect our workforce. A once-in-a-lifetime national crisis like this pandemic is NOT the time for business owners to maximize profits by laying off their staff! We retained our staff to keep Americans out of the unemployment line and to preserve the capability to serve our government customers in the future.

We have been with you every step of the way and continue to make sacrifices (personal, family, health) to support you, support Americans who rely on government services, and support a path to fair and equitable opportunity that is the hallmark of the American economy.

Please know that I LOVE what I do, and I love the government customers that I personally get to serve. I love the employees who I work with and their families, and I will happily continue to work long hours to serve the vital missions of DHS, DoD, Treasury, and other departments for the NEXT 20 years.

As an immigrant, I am not deterred by hard work or challenging times. I view it as an honor and my responsibility to shoulder and protect the future of a vibrant small business ecosystem in the United States.

Small businesses have the WILL and the drive to succeed in government contracting. But the opportunity is lacking. In 2008, I was able to win a seat at the table – in full and open competition – to bring innovation and ingenuity to the Department of Treasury. Because of Category Management, I no longer have a seat at that table. My company is at the mercy of large businesses in my market space that are waiting for me to suffer long enough so that they can buy my staff and my intellectual property for pennies on the dollar.

As a business owner, I accept the laws of business and the reality that I may not be here tomorrow, next year, or in 2023 to serve you any longer.

Down turns in the economy, shutdowns, global pandemics... I have already demonstrated that I can survive those! But Category Management is a different beast. When my family-friendly, woman-owned business comes under attack by the very institutions that I have been serving for the past 30 years, I am not as certain that I will be able to survive.

I am encouraged by the protections for small businesses that were included in the National Defense Authorization Act – often because of the bi-partisan support from members of this committee. The House Committee on Small Business has already championed exemptions from Category Management for small businesses in all socioeconomic categories. Another NDAA provision passed by the House extends the 8(a) program for an additional year because of the COVID-19 crisis. The House also voted to require contracting officers to consider the past performance of a joint venture when evaluating the past performance of a small business joint venture member, opening more doors for small firms to perform as prime Federal contractors. And importantly, the House version of the NDAA requires the Small Business Administration and its designated agencies to provide training for procurement and acquisition staff about how to manage the competing goals of Category Management and requirements of the Small Business Act.

I will be mobilizing with the US Women's Chamber of Commerce and other like-minded organizations to advocate for the inclusion of these small-business provisions in the Senate's version of the NDAA, as well as the reconciliation bill. Provisions like these are absolutely essential to protecting the viability of

America's small business contractors who have already been pressed to sacrifice so much to serve their government customers.

I am immensely grateful for the opportunity to address this Subcommittee and for the work that you do to preserve Diversity and Inclusion in our Federal government's supplier base. I will gladly answer any questions you might have. Thank you.